

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/ 2019

BFN2084 – PERSONAL FINANCE

(All Sections / Groups)

06 MARCH 2019
2.30 P.M – 4.30 P.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages with **Part A: MCQ and Part B: ESSAY**
2. Answer **ALL** questions and the distribution of the marks for each question is given.
3. Please write all your answers in the **Answer Booklet** provided.

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Please Answer All the Questions**Part A: Multiple Choice Questions (40 marks)**

- 1) Estate planning has two parts. The first part consists of
 - A) building your estate through savings, investments, and insurance.
 - B) transferring your estate in the manner you have specified.
 - C) deciding who is going to get what.
 - D) evaluating your assets and liabilities.
 - E) all of the above statements are true.
- 2) The second part of estate planning consists of
 - A) building your estate through savings.
 - B) transferring your estate in the manner you have specified.
 - C) deciding who should be your attorney.
 - D) evaluating your assets and liabilities.
 - E) all of the above statements are true.
- 3) In estate planning, if you are married,
 - A) you do not need much estate planning.
 - B) your estate planning is rather easy.
 - C) only your spouse should be concerned about estate planning.
 - D) your situation becomes more complex, and the need for orderliness and clarity becomes greater.
 - E) your will takes care of most of estate planning problems.

Continued...

- 4) Upon your death, your beneficiary will meet people who offer specific types of assistance. These people will probably be
- A) strangers.
 - B) sympathetic.
 - C) courteous.
 - D) disinterested.
 - E) your beneficiary will meet all of the above.
- 5) Which statement is correct regarding retirement living expenses?
- A) It is impossible to estimate your spending needs.
 - B) Your spending patterns will probably not change.
 - C) You will use a smaller amount of money for food, housing, and medical care.
 - D) The exact amount of money you will need is impossible to predict.
 - E) The exact amount of money you will need can be accurately predicted.
- 6) When you are nearing retirement, it is a good idea to
- A) increase the face value of your life insurance.
 - B) increase your property insurance coverage.
 - C) keep your life insurance intact.
 - D) decrease the face value of your life insurance.
 - E) swap your old life insurance policy with a new one.
- 7) Some retirement planning experts suggest that you start retirement planning while you are
- A) in school.
 - B) in college.
 - C) in graduate school.
 - D) middle-aged.
 - E) still employed.

Continued...

- 8) Which one of the following expenditures for retirees is likely to decrease?
- A) Clothing expenses
 - B) Insurance expenses
 - C) Medical expenses
 - D) Expenses for leisure activities
 - E) Gifts and contributions
- 9) Financial leverage refers to
- A) the use of borrowed funds for investment purposes.
 - B) the mathematical law of large numbers.
 - C) financial averages.
 - D) buying and selling short.
 - E) All of the above
- 10) Illiquidity in real estate means that
- A) you can quickly sell the property.
 - B) you do not have a water well on the property.
 - C) you cannot quickly sell the property.
 - D) you do not have financial leverage.
 - E) there is an efficient market for the property.
- 11) Which one of the following is a possible disadvantage of real estate investments?
- A) Financial leverage
 - B) Hedge against inflation
 - C) Easy entry
 - D) Short period of depreciation
 - E) Long period of depreciation

Continued...

12) Which of the following statements is *false*?

- A) The purpose of investing in a closed-end or open-end mutual fund is to earn a financial return.
- B) Income dividends are the earnings that a fund pays to shareholders from its dividend and interest income.
- C) Capital gain distributions are the payments made to a fund's shareholders that result from the sale of securities in the fund's portfolio.
- D) It is possible to make money on a mutual fund by purchasing shares at a high price and then selling them at a low price at a later date.
- E) All of the above statements are true.

13) Among the *most* important steps in the process of building, your insurance program is

- A) buying insurance.
- B) determining how much insurance to buy.
- C) choosing a good insurance agent.
- D) dealing with a local insurance company.
- E) all of the above statements are true

14) What factors should you consider before you buy an insurance?

- A) Your present and future sources of income
- B) Your savings
- C) Group life insurance
- D) Pension benefits
- E) All of the above factors should be considered.

15) What are some possible reasons for high and rising costs of health care?

- A) The use of sophisticated and high-priced equipment
- B) Medical personnel who command high earnings
- C) Innovative but costly treatment for some illnesses
- D) The increasing number and longevity of elderly people.
- E) All are possible reasons for high health care costs.

Continued...

16) Health insurance includes

- A) life insurance.
- B) disability insurance.
- C) personal liability insurance.
- D) an annuity.
- E) an endowment.

17) The purpose of an assigned risk pool is to

- A) provide insurance for poor drivers.
- B) reduce medical costs associated with auto accidents.
- C) take unsafe drivers off the road.
- D) reduce auto insurance premiums with state regulation.
- E) offer premium discounts to safe drivers.

18) Negligence refers to

- A) failure to take ordinary and reasonable care.
- B) cancellation of insurance.
- C) property damage.
- D) high risk insurance coverage.
- E) common hazards in the society.

19) Refinancing of a mortgage is recommended when

- A) interest rates rise.
- B) interest rates fall.
- C) the escrow account balance declines.
- D) two or more points are required by the lender at the time of closing.
- E) All of the above statements are true.

Continued...

20) The *most* common service provided by a real estate agent when selling your home is

- A) providing legal advice.
- B) qualifying buyers for a mortgage.
- C) screening potential buyers.
- D) making needed repairs.
- E) All of the above statements are true.

Part B: Essay Questions (60 marks)

Question 1: (20 marks)

- a) What are the main types of financial institutions used by consumers? (10 marks)
- b) Evan Kostakis is living in this country while going to school. He is not familiar with the operation of savings plans available to consumers. What are factors that he should consider when evaluating and comparing different savings plans? (10 marks)

Question 2: (20 marks)

- a) Gerry Intel is considering buying a home. Please inform him the process of buying a home. (10 marks)
- b) What are direct and indirect investments in real estate? Provide examples for both investments. (10 marks)

Question 3: (20 marks)

What are the important things to consider before you cosign a loan?

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